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DEPARTMENT OF COMMERCE

Bureau of Industry and Security

15 CFR Part 744

[Docket No. 110718395-1482-01]

RIN 0694-AF30

Amendment to the Export Administration Regulations: Addition of a Reference to a Provision of the Iran Sanctions Act of 1996 (ISA) and Statement of the Licensing Policy for Transactions Involving Persons Sanctioned under the ISA

AGENCY: Bureau of Industry and Security, Department of Commerce.

ACTION: Final rule.

SUMMARY: In this rule, the Bureau of Industry and Security (BIS) amends the Export Administration Regulations (EAR) to add a reference to the Iran Sanctions Act of 1996 (ISA), which states BIS's licensing policy for export and reexport transactions that involve persons sanctioned pursuant to certain enumerated statutes. In this rule, BIS provides notice to the public that it has a general policy of denial for export and reexport license applications in which a person sanctioned by the State Department under the ISA is a party to the transaction. BIS also makes technical corrections to enhance clarity and consistency.

DATES: This rule is effective [INSERT DATE OF PUBLICATION].

FOR FURTHER INFORMATION CONTACT: Theodore Curtin, Sr. Export Policy Analyst, Foreign Policy Controls Division, Bureau of Industry and Security, Department of Commerce, by telephone (202), 482-1975 or by e-mail to theodore.curtin@bis.doc.gov.

SUPPLEMENTARY INFORMATION:

Background

Basis of Amendment

The Iran Sanctions Act of 1996 (50 U.S.C. § 1701 note) (ISA) requires the President to sanction persons determined to have engaged in certain actions that help Iran develop petroleum resources, produce refined petroleum resources, or acquire refined petroleum products. Sanctions must also be imposed, pursuant to the ISA, on persons determined to have taken certain actions to help Iran acquire or develop certain weapons of mass destruction, missiles, or advanced conventional weapons. In a September 23, 2010 Presidential Memorandum, the President delegated the authority to impose sanctions under the ISA to the Secretary of State.

Pursuant to that delegation, the State Department makes a determination whether to impose sanctions. Guidance on sanctions imposed by the Secretary of State under the ISA is available at <http://www.state.gov/e/eeb/esc/iransanctions/>. Exporters should contact the Department of State directly if they have questions about ISA-related sanctions.

Upon making its determination, the State Department publishes in the *Federal Register* notices of the imposition of sanctions under the ISA. There are several possible sanctions that may be imposed under the ISA including a prohibition implemented by BIS on the issuance by the U.S. Government of a specific license or other specific permission or authority to export goods or technology to a sanctioned person under the Export Administration Act of 1979, as amended (50 U.S.C. App. § § 2401–2420).

Amendment to the EAR: Addition of a Reference to the ISA

This rule amends the Export Administration Regulations (EAR) at 15 CFR 744.19 to state that, consistent with the sanctions programs described in Section 744.19(a), (b), and (c), BIS will apply a policy of denial when reviewing export or reexport license applications in which a person sanctioned under the ISA is a party to the transaction. Currently, Section 744.19 of the EAR states that BIS’s policy is to deny export or reexport license applications if a person who is a party to the transaction (*i.e.*, the applicant, other party authorized to receive the license, purchaser, intermediate consignee, ultimate consignee, or end user) is subject to a sanction issued pursuant to one of three statutory authorities: (1) the Iran-Iraq Arms Nonproliferation Act of 1992 (Pub. L. 102-484); (2) the Iran, North Korea, and Syria Nonproliferation Act (Pub. L. 106-178); or (3) Section 11B(b)(1)(B)(i) or (ii) of the Export Administration Act of 1979, as amended (50 U.S.C. App. § § 2401–2420). In this rule, BIS amends Section 744.19 to add a reference to a fourth statute, the ISA.

Also, this rule clarifies in Section 744.19 that the policy of denial applies to any person sanctioned under one of the four statutes who is a party to the transaction (*i.e.*, the applicant, other party authorized to receive a license, purchaser, intermediate consignee, ultimate consignee, or end-user). To make this clarification, this rule replaces the term “entity” that previously appeared in Section 744.19 of the EAR with “person” in order to be consistent with the four statutes and BIS’s licensing policy under the EAR. As defined in the EAR, the term “person” applies to both natural persons and entities such as corporations and organizations.

Also, in this rule, BIS makes technical corrections to Section 744.19 of the EAR to update statutory citations and make conforming changes. This rule updates the reference to the Iran Nonproliferation Act of 2000, which has been amended on several occasions and is currently referred to as the Iran, North Korea, and Syria Nonproliferation Act, adds the U.S. Code citation for the Iran Nonproliferation Act of 2000, and amends the citations for the statutes referenced in Section 744.19(a), (b), and (c) to refer solely to the U.S. Code citations.

Since August 21, 2001, the Export Administration Act of 1979, as amended, has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 CFR, 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 12, 2011 (76 FR 50661 (August 16, 2011)), has continued the EAR in effect under the International Emergency Economic Powers Act. BIS continues to carry out the provisions of the

Export Administration Act of 1979, as amended, as appropriate and to the extent permitted by law, pursuant to Executive Order 13222.

Rulemaking Requirements

1. Executive Orders 13563 and 12866 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This rule has been determined to be not significant for purposes of Executive Order 12866.

2. Notwithstanding any other provisions of law, no person is required to respond to or be subject to a penalty for failure to comply with a collection of information, subject to the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) (PRA), unless that collection of information displays a currently valid Office of Management and Budget (OMB) Control Number. This rule involves a collection of information subject to the PRA. This collection has been approved by the Office of Management and Budget under control number 0694-0088, “Multi-Purpose Application,” which carries a burden hour estimate of 58 minutes to prepare and submit form BIS-748. Total burden hours associated with the PRA and OMB control number 0694-0088 are not expected to increase as a result of this rule.

3. This rule does not contain policies with Federalism implications as that term is defined under Executive Order 13132.

4. The provisions of the Administrative Procedure Act (5 U.S.C. 553) requiring notice of proposed rulemaking, the opportunity for public participation, and a delay in effective date, are inapplicable because this regulation involves a military or foreign affairs function of the United States (see 5 U.S.C. 553(a)(1)). Further, no other law requires that a notice of proposed rulemaking and an opportunity for public comment be given for this rule. Because a notice of proposed rulemaking and an opportunity for public comment are not required to be given for this rule by 5 U.S.C. 553, or by any other law, the analytical requirements of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) are not applicable. Therefore, this rule is issued in final form.

List of Subjects in 15 CFR Part 744

Exports, Reporting and recordkeeping requirements, Terrorism.

Accordingly, part 744 of the Export Administration Regulations (15 CFR Parts 730 – 774) is amended as follows:

PART 744 – [AMENDED]

1. The authority citation for 15 CFR Part 744 continues to read as follows:

Authority: *seq.*; 42 U.S.C. 2139a; 22 U.S.C. 7201 *et seq.*; 22 U.S.C. 7210; E.O. 12058, 43 FR 20947, 3 CFR, 1978 Comp., p. 179; E.O. 12851, 58 FR 33181, 3 CFR, 1993 Comp., p. 608; E.O. 12938, 59 FR 59099, 3 CFR, 1994 Comp., p. 950; E.O.

12947, 60 FR 5079, 3 CFR, 1995 Comp., p. 356; E.O. 13026, 61 FR 58767, 3 CFR, 1996 Comp., p. 228; E.O. 13099, 63 FR 45167, 3 CFR, 1998 Comp., p. 208; E.O. 13222, 66 FR 44025, 3 CFR, 2001 Comp., p. 783; E.O. 13224, 66 FR 49079, 3 CFR, 2001 Comp., p. 786; Notice of January 13, 2011, 76 FR 3009 (January 18, 2011); Notice of August 12, 2011, 76 FR 50661 (August 16, 2011); Notice of November 9, 2011, 76 FR 70319 (November 10, 2011).

2. Revise § 744.19 to read as follows:

§744.19 Licensing Policy Regarding Persons Sanctioned Pursuant to Specified Statutes

Notwithstanding any other licensing policy elsewhere in the EAR, BIS will deny any export or reexport license application if any person who is a party to the transaction (*i.e.*, the applicant, other party authorized to receive a license, purchaser, intermediate consignee, ultimate consignee, or end-user) is subject to one or more of the sanctions described in paragraphs (a), (b), (c), and (e) of this section and will deny any export or reexport license application for an item listed on the Commerce Control List with a reason for control of MT if a person who is a party to the transaction is subject to a sanction described in paragraph (d) of this section.

(a) A sanction issued pursuant to the Iran-Iraq Arms Nonproliferation Act of 1992 (50 U.S.C. 1701 note) that prohibits the issuance of any license to or by the sanctioned person.

(b) A sanction issued pursuant to the Iran, North Korea, and Syria Nonproliferation Act (50 U.S.C. 1701 note) that prohibits the granting of a license and requires the suspension of an existing license for the transfer to foreign persons of items, the export of which is controlled under the Export Administration Act of 1979, as amended (50 U.S.C. app. 2401-2420), or the Export Administration Regulations.

(c) A sanction issued pursuant to section 11B(b)(1)(B)(ii) of the Export Administration Act of 1979, as amended (50 U.S.C. app. 2401-2420), that prohibits the issuance of new licenses for exports to the sanctioned person of items controlled pursuant to the Export Administration Act of 1979, as amended.

(d) A sanction issued pursuant to section 11B(b)(1)(B)(i) of the Export Administration Act of 1979, as amended (50 U.S.C. app. 2401-2420), that prohibits the issuance of new licenses for exports to the sanctioned person of MTCR Annex equipment or technology controlled pursuant to the Export Administration Act of 1979, as amended.

(e) A sanction issued pursuant to the Iran Sanctions Act of 1996 (50 U.S.C. 1701 note) that prohibits the issuance of a specific license or grant of any other specific

permission or authority to export any goods or technology to a sanctioned person under the Export Administration Act of 1979, as amended (50 U.S.C. app. 2401-2420).

DATED: January 30, 2012

Kevin J. Wolf
Assistant Secretary
for Export Administration

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